

CARL J. KUNASEK
CHAIRMAN

JIM IRVIN
COMMISSIONER

WILLIAM A. MUNDELL
COMMISSIONER

OPEN MEETING ITEM



ARIZONA CORPORATION COMMISSION

SECURITIES DIVISION
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MEMORANDUM

TO: Chairman Carl J. Kunasek
Commissioner Jim Irvin
Commissioner William A. Mundell

FROM: Mark Sendrow *MS*
Director of Securities

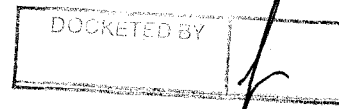
DATE: March 29, 2000

RE: Proposed Order for Relief and Consent Thereto for Superior Leasing of Arizona, Inc., Lloyd Rockwell and Superior Holding Group, Inc., S-03373A-99-0000

CC: Brian C. McNeil, Executive Secretary

Arizona Corporation Commission
DOCKETED

MAR 29 2000



Attached is a proposed Order of Relief and Consent Thereto ("Order") regarding Superior Leasing of Arizona, Inc., Lloyd Rockwell and Superior Holding Group, Inc. The Order requires Respondents to Cease and Desist their activity, to make a restitution offer to all investors and to pay a penalty of \$17,500.

The Order finds that Respondents sold \$6,775,456.97 of promissory notes to 126 investors. Those investors either live in Arizona or were sold the notes by Respondents from Arizona. Respondents used the proceeds from the sale of the notes to finance their business, which involved the sale-lease back of automobiles. In that business, Respondents would purchase cars from individuals in need of cash and would then lease back the same car to that person.

The Order finds that the promissory notes were not registered in Arizona, nor exempt from registration. It finds that Respondents were not registered as securities salesmen or dealers in Arizona. It further finds that Respondents employed Michael R. French to sell their promissory notes, despite the fact that Commission orders and criminal probation barred Mr. French from selling securities. Although Respondents claim they did not know of Mr. French's background, it is the Securities Division's position that they should have known. The Order also finds that Respondents failed to disclose any information about Respondents' finances to investors.

The Order requires Respondents to make a rescission offering to all investors by June 26, 2000. It was felt that rescission would be the appropriate remedy in the case as those investors that the Securities Division have interviewed have expressed satisfaction with their investment and wish to continue with the investment. If Respondents fail to make the rescission offering, or if the

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Memo to Commissioners re SL.doc

Securities Division does not approve the rescission materials, then Respondents are required to pay full restitution to all investors.

The Division recommends approval of the Order. Respondents had failed to register themselves or their securities prior to selling their promissory notes. They had failed to provide adequate financial information to the investors. The rescission offering will cure those deficiencies. Thus, rescission will offer investors the option to continue with this investment, after receiving full disclosure about the business.

Originator: Mark Dinell

AG Assigned: Moira McCarthy

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **CARL J. KUNASEK**

Chairman

3 **JIM IRVIN**

Commissioner

4 **WILLIAM A. MUNDELL**

Commissioner

5 In the matter of

6 **SUPERIOR LEASING OF ARIZONA, INC.,**

An Arizona corporation,

2655 W. Guadalupe Rd., #30

8 Mesa, AZ 85202

9 **LLOYD H. ROCKWELL,**

An individual,

3025 S. Cascade Pl.

11 Chandler, AZ 85248

12 **MICHAEL R. FRENCH,**

An individual,

13 5311 N. Stetson

Prescott Valley, AZ 86314

14 **SUPERIOR HOLDING GROUP, INC.**

A Nevada corporation

2655 W. Guadalupe Rd., #30

16 Mesa, AZ 85202

17 Respondents.

) DOCKET NO. S-03373A-99-0000

) DECISION NO. _____

) **ORDER TO CEASE & DESIST AND**
) **CONSENT TO SAME**

18 I.

19 Respondents Superior Leasing of Arizona, Inc., Superior Holding Group, Inc. and Lloyd H.
20 Rockwell (collectively "Respondents") elect to permanently waive their right to a hearing and appeal
21 under Articles 11 and 12 of the Securities Act of Arizona (the Act) with respect to this Order to Cease and
22 Desist (Order); admit the jurisdiction of the Arizona Corporation Commission (Commission); neither
23 admit nor deny the Findings of Fact and Conclusions of Law contained in this Order; and consent to entry
24 of this Order by the Commission.

25 ..

26 ..

II.

FINDINGS OF FACT

1
2
3
4 1. SUPERIOR LEASING OF ARIZONA, INC. ("SLAZ"), is an Arizona corporation,
5 whose last known address is 2655 W. Guadalupe Rd., #30, Mesa, AZ 85202.

6 2. SUPERIOR HOLDING GROUP, INC. ("SHG"), is a Nevada corporation, whose last
7 known address is 2655 W. Guadalupe Rd., #30, Mesa, AZ 85202. SHG was not a Respondent in the
8 Temporary Cease and Desist Order filed on December 9, 1999, in this case, but consents and agrees to
9 be added as a party to this action and to be bound by all Orders and Decisions in this action.

10 3. LLOYD H. ROCKWELL ("ROCKWELL"), whose last known address is 3025 S.
11 Cascade Pl., Chandler, AZ 85248, is the president and principal shareholder of SLAZ and SHG.

12 4. The respondents may be collectively referred to as "RESPONDENTS."

13 5. RESPONDENTS have engaged in the offer or sale within or from Arizona of securities in
14 the form of promissory notes or investment contracts to the general public.

15 6. SLAZ is in the automobile sale lease back business. SLAZ would purchase automobiles
16 from individuals in need of cash, and then lease the cars back to the individuals. According to
17 RESPONDENTS, SLAZ was collateralized by at least a five-to-one ratio on the value of the car to the
18 purchase price given to the individual. They told the investor that the default rate was less than one
19 percent and that there was not much risk in the investment. Additionally, RESPONDENTS stated that
20 there was no risk to the investor even if SLAZ was unable to reclaim the vehicle; the investor would get
21 paid regardless of that happening. RESPONDENTS offered investors interest rates on their investments
22 ranging from 18% to 60 % per annum.

23 7. From 1997 through present, RESPONDENTS sold securities, in the form of promissory
24 notes to 125 investors, who invested a total of \$6,775,456.97.

1 8. MICHAEL R. FRENCH ("FRENCH"), whose last known address is 5311 N. Stetson,
2 Prescott Valley, AZ 86314, was a salesman for SLAZ and SHG.

3 9. Previously, on July 24, 1995, FRENCH had been convicted of making false statements in
4 connection with an application and use of a passport, in violation of 18 U.S.C. § 1542, a felony.
5 FRENCH was sentenced to, among other things, thirty-six months of probation. The terms of his
6 probation barred him from engaging in any profession involving fiduciary duties.

7 10. On October 10, 1995, FRENCH entered into a Consent Order with the Commission,
8 admitting to violations of the Securities Act concerning his application for registration as a securities
9 salesman in which he failed to disclose his indictment and later conviction for making false statements in
10 connection with an application and use of a passport. The Consent Order barred FRENCH from
11 committing further violations of the Securities Act. *In the Matter of the Salesman Registration of Michael*
12 *Richard French*, Docket No. S-3101-I.

13
14 11. On February 25, 1997, the Commission entered a Temporary Order to Cease and Desist
15 against FRENCH and others, for offering to sell or selling securities in violation of A.R.S. §§ 44-1841,
16 44-1842 and 44-1991. *In the Matter of the Offering and Sale of Securities by Interactive Television, Inc.,*
17 *et al.*, Docket No, S-3191-I. On December 18, 1997, the Commission entered a final order finding that
18 FRENCH, among others, violated the Securities Act and ordering them to cease and desist their activity
19 and pay restitution and an administrative penalty. According to the records of the Commission, FRENCH
20 has failed to pay any restitution or penalty on that order.

21
22 12. On June 17, 1998, FRENCH was sentenced to Federal prison for one year and one day, for
23 violating his probation. Upon his release from prison, he was placed on supervised release for twenty-four
24 months. Pursuant to the terms of his probation, FRENCH is prohibited from engaging in any
25 telemarketing programs, sales of securities, or any other matters in a similar related business, selling
26 investments or investment opportunities.

13. RESPONDENTS omitted to inform investors about any facts concerning FRENCH listed in paragraphs 9 - 12. RESPONDENTS claim that they were not aware of the facts regarding FRENCH's background. It is the position of the Securities Division that it was RESPONDENTS' duty to investigate a salesman's background before authorizing him to sell their securities.

III.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over matters relating to securities pursuant to Article XV of the Arizona Constitution and A.R.S. § 44-1801 *et seq.*

2. The securities were not registered under A.R.S. §§ 44-1871 through 44-1875 or 44-1891 through 44-1901; were not exempt from registration under A.R.S. §§ 44-1843 or 44-1843.01; were not offered or sold in exempt transactions under A.R.S. § 44-1844; and were not securities exempt under any rule or order promulgated by the Commission. This conduct violates A.R.S. § 44-1841.

3. In connection with the offers to sell and the sale of securities, RESPONDENTS acted as dealers and/or salesmen within and/or from Arizona, although not registered pursuant to the provisions of Article 9 of the Securities Act, in violation of A.R.S. § 44-1842.

4. In connection with the offers and sales of securities within and/or from Arizona, RESPONDENTS directly or indirectly made untrue statements of material fact or omitted to state material facts which were necessary in order to make the statements made not misleading in light of the circumstances under which they were made, in violation of A.R.S. § 44-1991. RESPONDENTS' conduct includes the following:

a) Failing to disclose the Commission orders imposed against FRENCH, including those orders barring him from violating the Securities Act;

b) Failing to disclose the criminal record of FRENCH, including that the terms of his probation barred him from telemarketing, selling securities or investments; and

1 c) Failing to disclose material information about the investment, including
2 disclosure statements, prospectuses or financial statements.

3 IV.

4 ORDER

5 THEREFORE, on the basis of the Findings of Fact and Conclusions of Law, the Commission
6 finds that the following Order is appropriate, in the public interest and necessary for the protection of
7 investors.

8 IT IS ORDERED, pursuant to A.R.S. § 44-2032(1), RESPONDENTS shall Cease and Desist from
9 violations of the Act.

10 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032(1) and A.A.C. R14-4-308,
11 RESPONDENTS shall make a rescission offer to all current investors, whose names are held by the
12 Securities Division. All materials required by A.R.S. § 44-2032(1) and A.A.C. R14-4-308, shall be filed
13 with the Commission prior to or on June 26, 2000.
14

15 IT IS FURTHER ORDERED, in the event that all materials required by A.R.S. § 44-2032 and
16 A.A.C. R14-4-308, are not filed with the Commission prior to or on June 26, 2000 or if the Commission
17 does not approve the materials within sixty days after it initially receives them, pursuant to A.R.S. § 44-
18 2032, RESPONDENTS jointly and severally shall immediately make monetary restitution to all current
19 investors in the amount of \$6,775,456.97, plus interest at the statutory rate from the investor's date of
20 purchase, as set forth in the records held by the Securities Division.
21

22 IT IS FURTHER ORDERED that in the event that restitution funds are paid, they shall be
23 deposited in an interest bearing account through the office of Arizona Attorney General for the benefit
24 of investors. The Attorney General shall disburse the available funds on a pro rata basis to investors as
25 reflected in the records of the Securities Division. If any disbursement check issued by the Attorney
26 General either is not deliverable or has not cleared the trust account within 120 days of the date of

issuance, the funds related to such check shall be redistributed to the known investors. If all investors are paid in full, including interest, any returned funds shall revert to the State of Arizona payable to the Treasurer.

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, RESPONDENTS shall pay, jointly and severally, an administrative penalty in the amount of \$17,500.00 by certified check payable to the Treasurer of the State of Arizona for deposit into its general fund upon entry of this Order.

IT IS FURTHER ORDERED that this Order shall become effective immediately upon the date set forth below.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, Brian C. McNeil, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this ____ day of _____, 2000.

BRIAN C. McNEIL
Executive Secretary

DISSENT

This document is available in alternative formats by contacting Cynthia Mercurio-Sandoval, ADA Coordinator, voice phone number 602/542-0838, E-mail csandoval@cc.state.az.us.

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**CONSENT TO ENTRY OF ORDER BY THE CORPORATION COMMISSION AND
WAIVER OF HEARING**

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2
3 1. RESPONDENTS SUPERIOR LEASING OF ARIZONA, INC. ("SLAZ"), SUPERIOR
4 HOLDING GROUP, INC. ("SHG") and LLOYD H. ROCKWELL (collectively "RESPONDENTS")
5 admit the jurisdiction of the Arizona Corporation Commission ("Commission") over the subject matter
6 of this proceeding, and acknowledge that they have been fully advised of their right to a hearing to
7 present evidence and call witnesses. RESPONDENTS knowingly and voluntarily waive all rights to a
8 hearing before the Commission and all other procedures otherwise available under Article 11 of the
9 Securities Act of Arizona (the "Act") and Title 44, The Arizona Administrative Code.
10 RESPONDENTS acknowledge that the accompanying Order for Relief and Consent Thereto
11 ("Order") constitutes a valid final order duly rendered by the Commission.
12

13 2. RESPONDENTS knowingly and voluntarily waive any right they may have under
14 Article 12 of the Act to judicial review by any court by way of suit, appeal or extraordinary relief
15 resulting from the entry of this Order.

16 3. RESPONDENTS acknowledge and agree that this Order is entered into freely and
17 voluntarily and that no promise was made or coercion used to induce them to enter into it.

18 4. RESPONDENTS acknowledge that they have been represented by counsel in this matter.

19 5. RESPONDENTS neither admit nor deny the Findings of Fact and Conclusions of Law
20 contained in the Order.
21

22 6. RESPONDENTS consent to the entry of the Order.

23 7. RESPONDENTS acknowledge that this Order resolves only administrative violations
24 of the Act and that nothing contained in the Order purports to resolve any other issues which may exist
25 between RESPONDENTS and the State. Nothing in the Order shall be construed to restrict or
26 preclude any other agency or officer of the State of Arizona or its subdivisions from initiating other

1 civil or criminal proceedings against RESPONDENTS, now or in the future, that may be related to the
2 matter addressed by the Order and the Consent. Nothing in the Order shall be construed to restrict the
3 State's right in a future proceeding to bring an action against RESPONDENTS from or related to facts
4 not set forth in the Order.

5 8. RESPONDENTS acknowledge that they have been informed and understand that the
6 Commission or its designee, at the Commission's sole and exclusive discretion, may refer or grant
7 access to this matter, or any information or evidence gathered in connection with this matter, to any
8 person or entity having appropriate administrative, civil or criminal jurisdiction. RESPONDENTS
9 acknowledge that no representations regarding the above have been made so as to induce them to enter
10 into this Order, including the fact that no promise or representation has been made by the Commission
11 or its designee or staff with regard to any potential criminal liability or immunity from any potential
12 criminal liability.
13

14 9. RESPONDENTS understand that it is the Commission's policy not to permit a
15 Respondent to settle an action by consenting to an order that imposes a sanction while denying the
16 allegations in the Notice. RESPONDENTS further understand that the Commission's acceptance of
17 a settlement in this matter is based upon compliance with this policy by RESPONDENTS in any
18 statements concerning this proceeding. If RESPONDENTS breach this agreement, the Commission
19 may move to vacate this Order and restore this case to its active docket.
20

21 10. LLOYD H. ROCKWELL represents that he is the president of SLAZ and SHG and is
22 authorized to enter this Consent Order on their behalf.
23
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25
26

SUPERIOR LEASING OF ARIZONA, INC.,

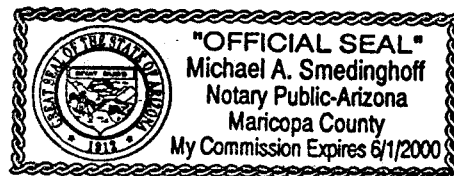
BY: Lloyd H. Rockwell
Lloyd H. Rockwell
President

SUBSCRIBED AND SWORN TO BEFORE me this 29 day of March, 2000

Michael A. Smedinghoff
NOTARY PUBLIC

My Commission Expires:

6/1/2000



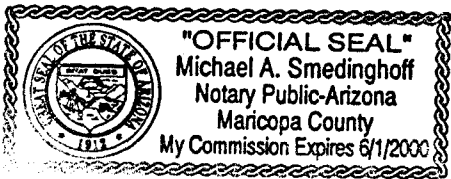
SUPERIOR HOLDING GROUP, INC.,

BY: *Lloyd H. Rockwell*
Lloyd H. Rockwell
President

SUBSCRIBED AND SWORN TO BEFORE me this 29 day of MARCH, 2000

Michael A. Smedinghoff
NOTARY PUBLIC

My Commission Expires:



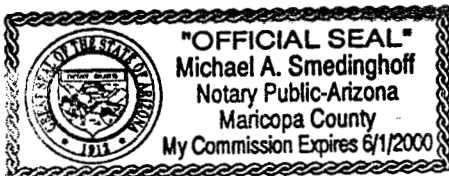
6/1/2000

BY: Lloyd H. Rockwell
Lloyd H. Rockwell

SUBSCRIBED AND SWORN TO BEFORE me this 29 day of MARCH, 2000

Michael A. Smedinghoff
NOTARY PUBLIC

My Commission Expires:



6/1/2000